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**HEALTH, WEALTH & SUCCESS**

# The Soul of Success

Volume 2



WITH  
**Jack Canfield**



FEATURING  
**Kevin Hodes**

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Published by CelebrityPress®, Orlando, FL

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Printed in the United States of America.

ISBN: 978-0-9961978-4-7

LCCN: 2015942404

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**S** **The**  
**Soul** of  
**Success**  
**Volume 2**

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Winter Park, Florida

## CHAPTER 32

# THE TRUTH IN CREDIT CARD PROCESSING!

BY KEVIN HODES

Ok, you have done your research and you think you have the best deal for accepting credit cards. You have signed up, you are processing for a few months and you realize when you look over your statement that it's not what you were told, or thought it would be. Well, let me tell you, you are not alone.

There are a few factors to look for when considering credit card processing. But first please stop doing the following:

- Stop taking the calls from telemarketers! There is no such thing as wholesale pricing and none of these people are with Visa or MasterCard. But it sure does sound good, doesn't it?
- Stop signing up with anyone that just walks in off the street! Cold calling representatives typically are still new to the industry. They most likely don't have the knowledge and or experience to possibly set you up correctly. Ever hear, let me call my manager to see if we can get you a better deal? They are calling in to get advice on what to do next. Next thing you know, you are speaking with the hard closing manager.
- Stop calling organizations that send you post cards and letters in the mail! These are your typical bait and switch teaser rates. And where are these companies anyway?

Now that we covered the slimy part of credit card processing, and I have your attention, there are two components of credit card processing, price and service. It is hard to get both, but when you do, latch onto that company or salesperson because they are few and far between. Anyone can undercut another organization for a penny here or there, but if there is no service, who are you calling when you have a problem. Or you can have the best service but the worst price. Have you ever heard the saying “Price, Quality, or Service? Choose Two”? What if I told you that you can have all three? With the knowledge you are about to gain and a little research, you can get Price, Quality, and Service.

So, how do you get the best deal? First, look for an organization that has been referred to you from another business owner that you know. Companies that have been around a long time and have built their clientele from mostly all referrals, probably means that they are doing something right. If you have been in business for a few years, you most likely have been burned already with promises from shady salespeople. Remember this, just like you, there are experts in all fields of business and not all organizations are the same even though they may offer the same product.

Find a Certified Payment Professional. Yes, there is such a person. There is a registry and you can search for someone in your area. Or, work with a credit card processor that has been endorsed by an association that you pay dues to. That organization has done extensive research to make sure you are getting the best deal and won't be taken advantage of.

FYI, banks don't process credit cards anymore. They have contracts with processors and can have as much as a 40% markup. Banks are great at offering a checking account, maybe a mortgage, or giving a bank loan every once in a while, but they just don't process credit cards anymore. Why would you work with your bank anyway? Do you think they are going to give you great service because you deposit monies in their bank? They will refer you to the 800 number when you need help. They can't even see your merchant account at the branch, so how are they going to help you? They will be happy to take your deposit if you have one or pay that mortgage. Did you know that when you are sitting with the banker that they receive points or bonuses that can equal as much as \$500 just for referring you to other services within the bank, specifically the credit card processing. So who are they helping, you



or themselves? It's really not the bankers' fault; it's what the big banks teach them to do.

Beware of software providers or distributors that say they have a preferred vendor. Or they will give you a discounted price on the product you are buying if you use their preferred vendor to process your credit cards. Ever wonder why they do that? The software organization or distributor will then make a piece of the action. Typically, it's a sizable markup. 40% more than you would pay if you were with a company that is thinking about your profit instead of their own. This is now a source of income and they have locked you in so you can never switch, although they always guarantee you have the best deal.

But, I am not sure how paying 40% more is the best deal? Work with an organization that doesn't lock you into using their preferred vendor! It opens the door for competition and it keeps everyone honest. You should be able to do your research, negotiate, and switch when you want. Yes, research the company that you are considering. Preferred doesn't always mean it's in your best interest. In this case, preferred really means what is in their best interest.

Another important factor, PCI DSS is real! Or better known as, The Payment Card Industry Data Security Standard. And, if you don't get compliant, the processors will charge you a monthly noncompliance fee. You should be leery of your current, or any future processor, if they say that they won't charge you or say you don't have to become compliant. Everyone has to get compliant and there are systems in place that cost money to be there to help you with this process. You can Google PCI DSS and see for yourself how important it is to get complaint. Remember you're a consumer as well and this is to help stop fraud.

A few years ago, a long-time customer called me and told me to get down there right away. I was happy to show up as I always do and he and his wife proceeded with letting me know that we had been charging them more than they should have been paying for years. I was shocked, because we are aggressively priced so our customers aren't paying more than they should. They stated that this very nice person had just left and was from Visa and MasterCard and said they needed new credit card equipment for \$59 per month and they would save thousands of dollars the moment they switched to this wholesale pricing through

the company represented. They handed me the new offer to review. First of all, I stated, you don't need new equipment and if you do, we would upgrade it at our cost, not yours. Spending \$59 per month for a 48-month, non-cancelable lease is not necessary. Never lease a credit card machine. Companies that care about you and not themselves will offer you equipment to use for as long as you are a customer. If your current processor doesn't do that, find one that does.

I continued to review and stated, "The new rates being offered would also increase your fees 40%. You will now be leasing a credit card machine that we have always provided at our cost, and you will pay more in processing fees every month." They said that they have it in writing that there will be a guarantee of savings from this nice person and they said we need this new equipment because it's out of compliance. Fast forward 2 years, I received a call and they said they made a terrible mistake and needed help. They realized several months after moving away from us, that they were paying 50% more in fees and called the company that signed them up. The nice person that had signed them up was no longer with the company, and they cannot return the non-cancelable 48-month leased credit card machine. Several months pass and they were called upon by another company on the phone that said they can fix all their issues and just happened to be in the area. This new nice person also offered lower rates and said they needed a new credit card machine that would work with a special system that no one else offered. I figured out that these new rates didn't change and the new credit card machine was proprietary and was another 48 month non-cancelable lease. At this point they were frantic and that's why they called me.

I gave them some advice and they are back working with us. This is a true story of one of our customers being taken advantage of. I was so disappointed that someone in my industry had taken advantage of a business owner in this way that I drove to the address on the business card of the second company. It was a fictitious address. This happens every day to business owners all over the country looking for a better deal. It is important to know that most processors will meet or beat any deal you receive as long as it's not a bait and switch. There are professionals in all fields of business. Some are better than others. If you don't have your very own professional credit card person, you may be paying more than you should and may not be receiving the service you deserve. Or worse, you may think all of the people in credit card

processing are all the same. I can honestly say there are good people in credit card processing; they are just harder to find.

Now, for the part you have been really waiting for. How do I get the best rates? First, stop shopping by rate! That sounds crazy doesn't it? Well, when you shop by rate, you may get a lower rate but other fees will be charged elsewhere to make up the difference. It's a numbers game and you will always lose with this buying technique. Ok, here is a secret I want you to know. Take your total fees deducted and divide that into your total credit cards processed. This will give you your aggregate rate. The factors of your aggregate increasing and decreasing monthly will depend on how you accept and process credit cards: Swiped, over the phone, Internet, average ticket and what type of cards you receive. Swiped will be the most cost effective. Internet and hand keyed are typically the most expensive. To keep your aggregate low, you need to work with a company that agrees to the interchange pricing model. Interchange is the cost the card issuer has established for that exact credit card.

There are 100's of these different rates and they range from .05% to 2.95%. But, if you have interchange it will hit the network and you will always get the best price for that exact card type no matter if you swipe, hand key or it is processed on your web site. Stay clear of tiered or bundled rate structures. Tiered and bundled rates may make it easier for you to understand the fees, but is not cost effective for you. In this debit card rate scenario, a tiered rate was 1.59% and the interchange rate was .05%, so why would you want to be on tiered? If your bundled rate was 2.75% and the interchange rate was .05%, why would you want a bundled rate?

In the past, the Interchange pricing model has been reserved for large national merchants. It is now available to you and is by far the fairest pricing model. In this pricing model, interchange and assessments are passed directly to the merchant, with a separate fee added for profit. The merchant always knows where the actual profit is. There are no hidden fees or surprises. Interchange is always the way to go, you don't want to be on the tiered or bundled rates.

After you have met or spoken with that new individual and/or new company, get on the Internet and do a Google search of that company.



Go to the BBB and find out if they have complaints. Seriously, when it comes to your money, **DO YOUR RESEARCH!!**



## About Kevin

As owner and founder of Swypit, Kevin Hodes prides himself on bringing honesty and integrity to what he considers, the “slimy world of credit card processing.” A former chef aboard luxury yachts, his craft brought him into contact with business professionals, dignitaries and politicians, enabling him to develop “street smarts of business super highways.” Intrigued, Hodes turned from the galley to launching a business consulting firm; a move that eventually led him to the world of credit card processing.

Hodes is quoted as saying, “I got into sales, but I brought my food service savviness of making things incredibly awesome all the time,” he said. “I found myself a little niche in the business—taking care of customers.”

The end result has melded his expertise and personal integrity. Hodes’ company, Swypit, offers next generation electronic payment processing solutions, combined with world-class service, price and leading edge technology. Swypit is the endorsed merchant services provider for the Southwest Carwash Association, Texas Tire Dealers Association and numerous nationwide franchises and Chambers of Commerce. In addition to card acceptance services, Swypit offers businesses free credit card terminals and discounted point of sale systems capable of managing inventory and payroll, gift cards as well as cash advance services. Kevin’s company focuses on providing exemplary customer support in an industry that is rife with third party providers, who are often more intent upon selling equipment than providing an effective solution for businesses, small to large.

As a Certified Payment Professional, Kevin Hodes has demonstrated the necessary knowledge and skills required to perform competently in today’s complex electronic payments environment. This ETA Certified Payments Professional Program (ETA CPP) recognizes that effective merchant service providers must provide not only a broad range of knowledge of the industry, but demonstrate mastery of sales, pricing and interchange, business process, operations and workflow, products and solutions, risk and regulatory compliance and security matters. The ETA is an international trade association representing more than 500 companies that offer electronic transaction processing products and services. Their mission is to advance the payments industry profession by providing leadership through education, advocacy and the exchange of information.

As an individual, Kevin is a Planning and Zoning Commissioner in one of the fastest growing cities in America. He is a board member of the Frisco Chamber of Commerce

and The American Fallen Soldiers Project. He is active in community foundations and events including the Boy Scouts of America, Eagle Gymnastics Academy, Donnie Nelson's Texas Legends Military Night Sponsor, Frisco Citizen's Fire and Police Academies, Wipe Out Kids Cancer, Young Entrepreneurs Academy and an alumni of Leadership Frisco. With regard to his impressive dedication to the community, Hodes says, "I believe that you need to give back. If you don't give to the community, then you shouldn't even be in business." Kevin's attitude has proven to be a cornerstone philosophy of his character and is ultimately responsible for the enormous success of his company.

You may obtain further information about Frisco, Texas-based Swypit by visiting the website: [www.swypit.com](http://www.swypit.com)  
or by calling: 1-877-379-9748.